City of Chula Vista

Legislation Details (With Text)

File #:	16-0125	**Name:**	
Type:	Consent Item	**Status:**	Passed
		In control:	City Council
On agenda:	4/5/2016	**Final action:**	4/5/2016

Title: RESOLUTION NO. 2016-002 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS, AND APPROVING THE FORM OF AN INDENTURE OF TRUST AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

Sponsors:

Indexes:

Code sections:

Attachments: 1. Item 3 - Resolution - Successor Agency Resolution, 2. Item 3 - Attachment 1 - Indenture of Trust, 3. Item 3 - Attachment 2 - Bond Purchase Agreement TABs, 4. Item 3 - Attachment 3 - Prelim Official Stmt 2016 STARB Series A March 21, 2016, 5. Item 3 - Attachment 4 - Continuing Disclosure Certificate, 6. Item 3 - Attachment 5 - 2006A Bonds Escrow Agreement, 7. Item 3 - Attachment 6 - 2006B Bonds Escrow Agreement, 8. Item 3 - Attachment 7 - 2008 Bonds Escrow Agreement, 9. Item 3 - Attachment 8 - Debt Service Savings Analysis

Date	Ver.	Action By	Action	Result
4/5/2016	1	City Council	adopt	Pass

RESOLUTION NO. 2016-002 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS, AND APPROVING THE FORM OF AN INDENTURE OF TRUST AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

RECOMMENDED ACTION
Agency adopt the resolution.

SUMMARY
The Redevelopment Dissolution Act allows for the Successor Agency to the Redevelopment Agency of the City of Chula Vista (Successor Agency) to refinance outstanding tax allocation bonds to provide debt service savings. The Successor Agency has the opportunity to refinance the former Redevelopment Agency's 2006A Senior Tax Allocation Refunding Bonds, 2006B Subordinate Tax Allocation Refunding Bonds and 2008 Tax Allocation Refunding Bonds at this time, with the debt service savings to be shared among the affected taxing agencies, including the City.

ENVIRONMENTAL REVIEW

Environmental Notice
The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Environmental Determination
The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required

BOARD/COMMISSION RECOMMENDATION
Not Applicable

DISCUSSION
Background
Prior to dissolution under AB X1 26 and AB 1484 (the Dissolution Act), the Redevelopment Agency of the City of Chula Vista (former Agency) issued tax allocation bonds for a variety of redevelopment purposes. After the adoption of the Dissolution Act, the Successor Agency is responsible to pay bond debt service until all bonds are repaid.

Section 34177.5 of the Dissolution Act authorizes refinancing of the former Agency debt if debt service savings can be achieved.

Refinancing Opportunity
The bonded debt obligations of the former Agency are shown in the table below.

	Original Principal	Outstanding Principal	Final Maturity
2006 Series A Bonds	$13,435,000	$ 8,770,000	2027
2006 Series B Bonds	$12,325,000	$ 8,245,000	2027
2008 Bonds	$21,625,000	$20,450,000	2036

Upon review of these obligations, it has been determined that refinancing all three series of outstanding tax allocation bonds is in the best interest of the Successor Agency and that, based on current market conditions, the statutory savings requirement can be met if the refinancing is approved. Staff costs related to refunding proceedings can be recovered through the Successor Agency's Recognized Obligation Payment Schedule as authorized by the Dissolution Act.

Refunding Analysis
The three series of Tax Allocation Bonds (Prior Bonds) can currently be refinanced at the present time and, based on current market conditions, provide debt service savings to the Successor Agency. These savings will increase the amount of "residual" property tax available to be redistributed to the affected taxing agencies, including the City.

Based on current interest rates, the Successor Agency can refinance the Prior Bonds at an average interest cost of approximately 3.0%, compared to the average rate on the Prior Bonds to be refunded of 4.7%. After the refinancing, the Successor Agency would reduce the requested funding from the Redevelopment Property Tax Trust Fund (RPTTF) for debt service by an estimated $8.2 million through 2036 (final maturity). This represents a 16% reduction in net debt service over 20 years. The total $8.2 million reduced net debt service would generate more residual balance available to pay enforceable obligations of the Successor Agency and to distribute to other taxing entities in furtherance of the goals of redevelopment agency dissolution legislation. The City's share of the estimated increased residual RPTTF revenue is approximately $1.5 million (18.7%) through 2036, with the $6.7 million balance of the residual going to the other taxing agencies.

The bonds are expected to carry the Successor Agency's current "A+" Standard & Poor's credit rating. The Successor Agency will apply for bond insurance to achieve the interest rate used in the savings estimates.

Authorization and Sale

The Dissolution Act has added a number of steps to the traditional refinancing process, and requires more time to actually get the bonds to market. Once the Successor Agency authorizes the refinancing of the bonds by approving the resolution presented with this report, the Successor Agency Oversight Board will be presented with a companion resolution approving the action taken by your Board. This Oversight Board action must be submitted to and approved by the State Department of Finance (DOF). DOF can take up to 65 days from the time the Oversight Board resolution is submitted to approve the financing.

Based on an anticipated Oversight Board approval on April 11, staff anticipates the bonds would be sold in June 2016.

Between the time that the refinancing is approved by the Successor Agency and the time that the Successor Agency can actually enter the market to sell the refunding bonds, interest rates could increase, and debt service savings may be reduced. Therefore, the reduced net debt service of $8.2 million is an estimate at this time.

In order to authorize the issuance of the Bonds the Successor Agency Board has been presented with a resolution for their consideration. The Successor Agency resolution authorizes the sale of refunding bonds with a minimum savings requirement of 5%. The Successor Agency resolution also approves the following documents, in draft form:

- Indenture of Trust between the Successor Agency and U.S. Bank as Trustee,
- Escrow Agreements for each series of Prior Bonds between the Successor Agency and U.S. Bank as Escrow Bank,
- Bond Purchase Agreement between the Successor Agency and Stifel, Nicolaus & Company, Incorporated, as Underwriter,
- Preliminary Official Statement, and
- Continuing Disclosure Certificate.

The Successor Agency resolution also approves the distribution of the Preliminary Official Statement (POS). The POS is the "offering document" for the proposed 2016 refunding Bonds. The Successor Agency has an obligation to ensure that the POS includes all information that would be material to a prospective investor's decision whether to purchase the Bonds.

The preliminary official statement was prepared by staff and the financial advisor, with input from Stradling Yocca Carlson & Rauth, the Successor Agency's bond counsel and disclosure counsel. The Successor Agency Board's review of the description of the Successor Agency and its Financial Information contained in the preliminary official statement is requested prior to printing in advance of the sale of the Bonds on or about June 15, 2016.

The proposed Resolution authorizes staff, in consultation with bond counsel, to revise and finalize each of the documents approved by the Resolution within the parameters set forth in the Resolution.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any Board Member of the Successor Agency to the Redevelopment Agency of the City of Chula Vista, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. Refunding these tax allocation bonds promotes Operational Excellence, Economic Vitality by reducing debt service payments in future years.

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact in the current Fiscal Year 2015/16.

ONGOING FISCAL IMPACT

The estimated fiscal impact to the Successor Agency is to reduce enforceable obligations by a total of $8.2 million. If market conditions remain steady, the General Fund will receive additional residual property tax as a result of the proposed refunding in the amount of approximately $125,000 annually for 10 years and another $30,000 annually for the following 10 years. The remaining savings will be realized by other taxing agencies.

ATTACHMENTS

1. Indenture
2. Bond Purchase Agreement
3. Preliminary Official Statement
4. Continuing Disclosure Certificate
5. 2006 Series A Escrow Agreement
6. 2006 Series B Escrow Agreement
7. 2008 Escrow Agreement
8. Debt Service Savings Analysis

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